

THE EVALUATION OF TAX PLANNING ON INCOME TAX ARTICLE 21 BY USING GROSS-UP METHOD IN FORM OF CORPORATE TAX SAVINGS (STUDY AT PT. PG KEBON AGUNG MALANG PERIOD OF 2009-2012)

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ABSTRACT

This research is aimed to evaluate tax planning on income tax article 21 by using gross up method that done by PT. PG Kebon Agung in period of 2009-2012 in order to achieve corporate tax savings. This research used descriptive research with case study approach by using quantitative data. This research used a secondary data which is collected from corporate's profile, corporate policy related employee benefit, income statement and fiscal reconciliation. All of information that can support this research which is taken by documentation method. The result of this research are: (1) Tax Planning that done by PT PG Kebon Agung has been treat by using gross up in properly correct based on rules and regulation so that corporate allocate tax allowance cost as form tax planning cost in the amount of IDR 275.796.836 or 1,23% during 2009-2012 efficiently and effectively and it can minimize corporate tax payable in form of corporate tax savings in the amount of IDR 781.996.470 or 2,807% during 2009-2012 effectively. (2) The feasibility of tax planning program is also shows positive coefficient which is NPV > 0 amounted to IDR 1.809.624.700 and PVI > 1 which is amounted to number 2,62. It means that tax planning program that done by program PT PG Kebon Agung is feasible to do.

Keywords: Tax Planning, Income Tax article 21, Gross up Method, Evaluation

INTRODUCTION

Background

Basically, profit oriented is becoming main factor to corporate for gaining maximally profit at the end. Those kinds of profit are expected increase in every period which is meant for sustaining the corporate development both increasing the welfare of employees and fulfilling the obligation of corporate related income tax. In order to achieve company's goals, there are many kind alternative to be done such as pressing and managing the expenses to gain some profit.

However, the implementation of Indonesian's Tax system gives different interest between Taxpayer and government. On the other side Taxpayers want to pay taxes least possible harm while the government has a mission to optimize tax payment. Thus, businessmen or manager has responsibility to give decision and solve the problem on how to manage the tax that will pay to the government efficiently and how to do tax avoidance that never break the rules and regulation to achieve the goal of corporate.

Tax planning strategy is one of method to help them in order to minimize tax cost and optimizing profit after tax. Tax planning is started to measure whether that kind of

transaction is levied by tax or not. Not only that but also tax planning strategy is started to modify tax payment that can maximize profit after tax.

There are several alternative of tax planning on income tax article 21 that can be taken by the company which are net method, gross method and gross up method. Gross up method is the one of method that can be used as tax planning for company. Gross up method is the way to minimize corporate tax payable. Both Gross up method need comprehensives analysis and evaluation of taxation policy on business organization is very important to do. Moreover, tax planning as strategy of corporate to achieve the mission and vision that corporate has. Thus, evaluation must be done by corporate to determine how far the implementation of tax planning (Suandy, 2011).

The additional expenses and disbursements caused by tax planning are tax planning costs, while the additional incomes caused by tax planning are tax planning revenues (Jia and Zhou, 2012). Tax planning decision can be evaluated in order to know how far the implementation of tax planning such kind of companies only need to compare costs and revenues when the business level is certain. For

long-term tax planning decision-making, relevant targets should be transferred to present value at first, and then NPV method and PVI method can be used to make decisions. Thus, the target of tax planning is to reduce tax payable and increase revenue to achieve the goal of maximizing corporate value. Companies can use the way of evaluation in making tax planning decisions, by analyzing the costs and revenues of tax planning, decision makers can see the practicability of planning activities and choose the best one from all the optional tax planning programs. Researcher will evaluate for the use of gross up method in PT PG Kebon Agung who has implied gross up method. Instead of giving briefly understanding to the corporate and the others on how is tax planning correct to do and feasible to be done for minimizing corporate tax payable as form Tax Savings. Finally, it can be a role model for the other corporate who has implied yet for maintaining corporate tax savings successfully.

THEORITICAL REVIEW

Definition of Tax

Tax is achievement which is imposed unilaterally by the accomplishments (according to the norms that was legalized), there is no rewards directly that used to cover both expenses and public expenditure (Resmi, 2009).

Income Tax Article 21

Basically, income tax article 21 is income tax that related by service work and activities who have done by resident Taxpayer (Pohan, 2013). Thus , it means that wages, income , honorarium, allowance and the other payment in form of anything that related by job should be levied by tax. In the other hand, Income Tax Article 21 is cut income derived from employment and activity (active income). Active income is cut in Article 21 only comes from three activities namely job or position, services, and activities. Second, private People who provide services or perform active income are included in Article 21 of the Income Tax withheld (Wirawan, 2010)

The Guidance and The implementation for Withholding Income Tax that Related for work, service and personal activities stated that: *Pajak Penghasilan sehubungan dengan pekerjaan, jasa, dan kegiatan yang dilakukan oleh Wajib Pajak orang pribadi Subjek Pajak dalam negeri, yang selanjutnya disebut PPh Pasal 21 adalah pajak atas penghasilan berupa gaji, upah, honorarium, tunjangan, dan pembayaran lain dengan nama dan*

dalam bentuk apapun sehubungan dengan pekerjaan atau jabatan, jasa,dan kegiatan yang dilakukan oleh orang pribadi. Subjek Pajak dalam negeri, sebagaimana dimaksud dalam Pasal 21(PER 31/PJ/2009)

Thus, the definition of withholding income tax that is related for work, service and personal activities is Income Tax where is related by work, service, and activities that has been done by resident Taxpayer which is called Income Tax Article 21. It means that tax for income that has done by domestic tax subject for individual who is related for their work such kind of wages, honorarium, allowances and the other payment.

The Tax Subject and Non-Tax Subject for Income Tax Article 21

Basically Income tax is levied for tax subject's income that got in a fiscal year. Those are divided in a tax subject for income tax article 21 and non-tax subject for income tax article 21 which are regulated in *PER 31/PJ/2009* as follows:

- a Tax Subject of Income Tax article 21
Tax subject income tax article 21 is person who receives income which is from work, services, or retained in form of anything that related as employee or non employee included the recipients of pensions
- b Non-Tax Subject for Income Tax article 21
The income that is becoming the Non-Subject of Income Tax Article 21 which is excluded come from taxable income as follows:
 - 1) Either the officials of diplomat representative or the other both officials from foreign countries and people who assisted for those who work and live together which is required as non societies in Indonesia and they did not receive or earn revenue outside of the office or employment as well as the countries concerned provide reciprocal treatment;
 - 2) A representative from international organization who is fulfilling the requirement that they are not citizen in Indonesia and legalized by finance ministry affairs. They did not their business, activities, or the other work to get an income from Indonesia

The Object and Non-Object for Income TaxArticle 21

- a The Object for Income Tax Article 21
 - 1) The income that received or obtained for permanent employee. Either regularly or irregularly;

- 2) The income that received or accrued for pension recipient such kind of pension income in regularly;
 - 3) Both income that related from termination of employment and retirement such kind of pension benefits, an allowance of the old days, or old age benefit and the other payment;
 - 4) The income of non permanent employees or freelance labour, in form of daily wages, weekly wages, wages, collected wages or wage paid in monthly;
 - 5) A Reward for non permanent employees such kind of the other emoluments, in form commission, fee, and exchange for similar with name and of any kind in reward that related for their work, services, and activity which has done;
 - 6) A reward for the participant of event such kind of meeting money, representative money, accommodation money, honorarium, gift, or achievement in form of anything and the other reward.
- b The Non-object for Income Tax article 21
- 1) The payment of compensation or insurer of insurance companies that related to health insurance, coverage, life insurance *dwiguna* insurance, and scholarship;
 - 2) The revenues that come from allowance in the form of anything which is given by Taxpayer or government except those kind of allowance is given by either non Taxpayer or Taxpayer who are levied Final tax based on deemed profit;
 - 3) Pension contributions that paid for pension funds which is established and legalized by financial ministry such kind of retirement security contribution for institution who conduct old retirement age allowance or worker's social program security contribution that both of them paid by employer;
 - 4) *Zakat* which is received by individual who have a right to get it from entity of charity that legalized and established by government. Not only that but also religious donation that is required for religion who acknowledged;
 - 5) Scholarship(*PER 31/PJ/2009*)

Tax Planning

Tax is a process of organizing business where is belong to Taxpayer or group so that tax payable either income or another taxes in minimally position and it might be done by both rules and regulation in taxation and commercial(Pohan,2013). Meanwhile tax planning is an effort for minimizing the amount of tax payable in order to run both the

responsibility and regulations so that tax planning is always started for making sure the transaction is levied by tax or not. Tax planning is different with box tax avoidance and tax evasion. The differences is located on area which is used by Taxpayer. Tax planning is only looking for some opportunity in regulation that can be a tools to reduce some tax at the end. Many kind of way that can be used on the application of tax planning such as arranging tax report based on deductibility and taxability principals which is regulated on article 6 and 9 UU Number 36 year 2008.

Deductibility and taxability aspect is appeared because there are differences approach on reporting some business transaction which is done by accounting aspect commonly. However, the amount of commercial accounting income is different with the profit from fiscal concept.

Tax Planning on Income Tax article 21

Arranging a tax plan that suitable with corporate condition is begin with, decreasing tax expense (Pohan, 2013). The company need to make an analysis to the methods and policies which can be used, so a tax plan will be appropriate as expected. In order to calculate Income Tax article 21, there are 3 methods that can be used in tax planning as follows:

a. Net Method

It is method in withholding tax. It means that company will endure employee's tax income. This company will endure half or all of income tax. In this calculation, employee's wages will be given without any reduction.

b. Gross Method

It is a method in withholding tax .It means that corporate will endure income tax for employee. By this method, the amount of wages which is given to the employee is decreased as big as income tax article 21 that will be cut by the corporate.

c. Gross-up method

It is a method in withholding tax .It means that the company will give a tax allowance which has same amount as tax income that the employee has to paid The term of gross-up method is not explicitly mentioned and regulated in tax laws. It is a logical game in calculating tax income, so it will not break the tax regulations (Pohan, 2013)

Tax Allowance by Using Gross-up Method

Gross-up method is connected to tax planning in order to determine the amount employee's tax income. By means of this method, amount of allowance which is added into employee's wages will be the same as employee's tax payable. So, there will not be any

difference or the difference is not significant between tax allowance and tax payable. In fact, to determine gross-up can be seen from employee’s wages. Using gross-up, the company will not find any obstacles in determining tax allowance. Here the formula to determine tax allowance by using gross up based on tax bracket in UU Number 36 year 2008 that used for period of 2009-2012 as follows:

Table 1 The Formula of Gross-up Method

Taxable Income > Rp 0 s/d Rp 50.000.000	Tax = 1/0,95 { <i>TIX</i> 5% }
Taxable Income> Rp 50.000.000 s/d Rp 250.000.000	Tax = 1/0,85 {(<i>TIX</i> 15 %) – 5 <i>million</i> }
Taxable Income > Rp 250.000.000 s/d Rp 500.000.000	Tax = 1/0,75 {(<i>TIX</i> 25%) – 30 <i>million</i> }
Taxable Income > Rp 500.000.000	Tax = 1/0,70 {(<i>TIX</i> 35%) – 55 <i>million</i> }

Source: Pohan (2013:107)

Evaluation of Tax Planning

The normative tax planning doctrines answer the question how individuals must behave in order to reach their post-tax overall objective, which is typically maximization their utility. Normative optimal behaviour can be identified by formulating decision models moreover tax planning decision program (Schanz, 2012). Based on that explanation it proof that every single decision about tax policy moreover tax planning program must be evaluated in particular period in order to know on how that program can give beneficial impact toward business entity

Meanwhile the additional incomes caused by tax planning are tax revenues. Tax planning revenue includes two aspect one is a company’s extra income incurred by tax planning and the other is the reduction of the expenditure of a company due to tax planning program. Hence, It could be concluded that tax planning cost is cost that related to tax planning and tax planning revenue is the result of tax planning which is happened in this research is the additional cost related to tax planning on income tax article 21. Furthermore, tax planning decision can be evaluated in order to know how far the implementation of tax planning such kind of companies only need to compare costs and revenues when the business level is certain. The corporate is only needs to judge the feasibility of optional tax planning programs and make the best choice since according to the basic rules of cost-revenue analysis, if the additional revenues are bigger than the additional costs when a tax planning program is

carried out, then the program is feasible. Among all the optional programs, the best program is the one that the difference between the additional revenues and the additional costs is the biggest. The tools to evaluate tax planning program when business level is certain by using NPV and PVI method (Jia and Zhou, 2012:62)

RESEARCH METHOD

According to (Nazir, 2005), descriptive research is a kind of research model in researching human group status, object, situation set, or consider system in now days period with the objective to create a description, systematic illustration, factual, and accurate concerning with facts, and correlation among the phenomenon. Meanwhile, Another definition based on (Kumar, 2011), “case study design is based upon the assumption that the case being a typical of cases of certain type and therefore a single case can provide insight into the events and situations prevelent in a group from where the case has been drawn. Based on the explanation above, descriptive research with case study approach supported by quantitative data is appropriate to be used in this research. This is because the research is conducted in one company that has special and unique case in tax planning issue moreover it is talking about tax planning in income tax article 21 in order to minimize corporate tax payable that appropriate to the goal of this research. This research used a secondary data which is collected from corporate’s profile, corporate policy related employee benefit, income statement and fiscal reconciliation. All of information that can support this research which is taken by documentation method. Finally, In accordance to the previous explanation, the focus of this research is determined as follows:

1. Corporate’s policy related to the employee’s benefit
2. Calculating and Analyzing Income Tax Article 21 by using gross up method, net method, and gross method based on the number of permanent employee and the amount of permanent employee’s wages according to taxable income ranges.
3. Arranging fiscal reconciliation
4. The implication of tax planning program in income tax article 21
5. Evaluating the effectiveness tax planning program that done by corporate can increase profit after tax and minimize corporate tax payable

- Evaluating the feasibility of tax planning program by using gross up method

RESULT AND ANALYSIS

Effectiveness

Table 2. The Calculation of Income Tax article 21 in PT PG Kebon Agung

	Net Method	Gross Method	Gross-up Method
Wage	746.010.689	746.010.689	746.010.689
Heavy Work Premium	38.055.607	38.055.607	38.055.607
Social Allowance	35.670.199	35.670.199	35.670.199
Regional Allowance and Overtime pay	818.339.934	818.339.934	818.339.934
Gross Income	1.638.160.621	1.638.160.621	1.638.160.621
Tax Allowance(month)	-	-	56.505.826
Occupational Expenses	(81.908.031)	(81.908.031)	(81.908.031)
Pension Fund	(49.329.732)	(49.329.732)	(49.329.732)
Net Income	1.506.922.858	1.506.922.858	1.563.428.684
Net Income(year)	18.017.233.154	18.017.223.154	18.742.441.892
P.Exemption	7.244.160.000	7.244.160.000	7.244.160.000
Taxable Income	10.817.794.295	10.817.794.295	11.477.161.892

Source: Data analyzed ,2014

That summary upon the calculation of income tax by using three alternatives of income tax article 21 showed us that the amount of taxable income that must be levied by using gross method and net method is same in the amounted to IDR 10.817.794.295. The differences total between gross up method and net method going to gross up method which is amounted to IDR 11.477.161.892. This hapenned because there was additional income for employee as form tax allowance that can make the income of employee is increased that eventually give an impact to the total amount of taxable income in individual tax. Tax allowance is a part of factor that can increase the welfare,economic capability of employee that is categorized as income based on article 4 Income tax regulation 2008.

Based on table above showed that the amount of taxable income is influencing the amount of income tax article 21 each alternative.The amount of income tax article 21 both using gross and net method are amounted to IDR 601.683.856 meanwhile the amount of income tax article 21 by using gross up method is amounted to IDR 658.189.682

Table 3.The amount of taxable income

Information	Net Method	Gross Method	Gross up Method
Taxable Income	10.817.794.295	10.817.794.295	11.477.161.892
IncomeTax 21(month)	50.140.321	50.140.321	50.140.321
Tax Allowance (month)	-	-	56.505.826
IncomeTax 21	601.683.856	601.683.856	658.189.682
Tax Allowance (year)	-	-	658.189.682
Income Tax	601.683.856	601.683.856	-

Source: Data analyzed by Author,2014

Those data is only give briefly understanding that employee have a responsibility to pay to the state as much as income tax article 21 payable. However based on regulation there will be some responsibility for corporate who as employer for cutting and report to the state for income ho have been given for employee. Seeing the data above showed us that net method is corporate will bear the amount of income tax payable by giving full take home pay to the employee. In that case, corporate still must report the amount of income tax article 21 to the state as employer that based on *PER/31/PJ/2009* in the amounted to IDR 601.683.856 at the end as form withholding tax evidence that they have been cut the income to the employee. Meanwhile the alternative by using gross method is only make corporate will bear the amount of income tax by cutting the amount of income tax through gross income of employee. This method is only make corporate will cut employee’s take home pay in order to fulfill the responsibility by reporting withholding tax evidence to the state and take home pay of employee will decrease as responsibility to pay to the state. It looks different when corporate use gross up method as the way to allocate their wage to the employee. PT PG Kebon Agung has been made this policy in that corporate by bearing individual tax payer through tax allowance, it will not make corporate to report again since it has been included in Individual Tax Return and Withholding Tax Evidence. So that this method is eventually make the take home pay of employee is increase. Here there will be presented the calculation and take home pay picturization in calculating Income Tax article 21 by using all alternative as follows:

Tabel 4.Take Home Pay

Detail	Net Method	Gross Method	Gross-up Method
Wage	746.010.689	746.010.689	746.010.689
Heavy Work Premium	38.055.607	38.055.607	38.055.607
Social Allowance	35.670.199	35.670.199	35.670.199
Regional Allowance and Overtime pay	818.339.934	818.339.934	818.339.934
Gross Income	1.638.160.621	1.638.160.621	1.638.160.621
Tax Allowance	0	0	658.189.682
Net Income(year)	1.638.160.621	1.638.160.621	2.296.350.303
Income Tax 21		601.683.856	658.189.682
Total THP	1.638.160.621	1.036.476.764	1.638.160.621

Source:Data analyzed,2014

Based on the analysis of income tax calculation,it can be seen miraculous things. Firstly , take-home pay is the amount of money that will be received by the employee and if the total take home pay on the income of employees in the year 2009 by using net method was IDR 1.638.160.621, take home pay on the income of the employees by using gross method in 2009 was IDR 1.036. 476 764 and the results of the take home pay on the income of employees in 2009 by using gross-up method was IDR 1,638,160,621 which means the same as the number of take-home pay from the net method. In totally the alternative by using gross-up method gives the net income amounted to IDR 2,296,350,303 for employee. This is because companies provide an additional income in the form of tax allowances in the amount of IDR 658.189.682 so that the amount of income received by all employees amounted to IDR 2.296.350.303. However although an alternative by using net method has the same take home pay by using alternative gross-up method, PT PG Kebon Agung still have to spend money to deposit income tax article 21 to the state. In this case the amount of income tax payable article 21 shall be borne by PT PG Kebon Agung.

Secondly, looking at the income tax Article 21 by using gross method. The amount of income tax must be borned by employees in the amount of IDR 601.683.856. The implementation of this method is to cut the take home pay of employees who are used to deposit the income tax article 21 to the State. The table above shows if PT Kebon Agung using the gross method to cut the take home pay

employees in the amount of IDR 601 .683. 856, it is automatically will reduce the amount of take home pay of employees who must be given in fully to the employee as big as IDR 1.638.160.621 so that the company will give take home pay for employees only in the amount of IDR 1.036.476.764. In this case, it will be deducted from the monthly salary. Terms of PT Kebon Agung company only has an obligation to remit and report the income tax on the salaries of employees who have been paid to the state

Thirdly, PT PG Kebon Agung prefer to give tax allowance for having a lot of profit by using gross up method. It can be seen the amount of income tax searticle 21 is supported entirely by the company or the employer in the amount of IDR 658.189.682 that could be expensed in the fiscal report that will affect the amount of corporate tax payable. Otherwise if PT PG Kebon Agung choose to bear the income tax by not providing tax allowance, the amount of tax allowance that done by the company can not be expensed in fiscal reports because it is not included in the calculation of income tax returns of Article 21. Finally, it is not included as expenses for corporate and it is not included as income for employee.

Moreover if PT PG Kebon Agung choose to bear the income tax by using gross-up method, the amount of income tax that must be paid into the state treasury is as big as the tax allowance in the amount of IDR 658.189.682. The amount of income tax allowance 21 that provided in the form of allowances have no effect on employees' income received (Take Home Pay) since the calculation of imcome tax article 21 that has been gross up more than IDR 2.296.350.303 as income tax article which is being added. Thus, the amount of tax allowance will be equal with tax liable.Thus, PT PG Kebon Agung is one company that is very concerned about the employees, enduring income tax article 21 through the provision of tax allowance is appropriate because it will give benefit from the company that employees will feel motivated by the existence of such allowance because it does not affect take home pay employee and the company incurred costs of tax allowances can be as deduction in the company's fiscal report in order to minimize tax payable.

Hence, the amount of income tax article 21 by using gross up can be as reduction based on taxability and deductibility principal which is attached on regulation article 6 and 9 UU Number 36 year 2008 at the end in the fiscal year report by putting that element in fiscal year

report by negative corrected that can increase the operational cost in salary and general cost.

At the beginning when PT PG Kebon Agung used gross-up method, it makes the redundancy of cost because there are additional costs to be incurred over the post that is the cost of the tax allowance which are also huge in the amount of IDR 658.189.682 at 2009. Moreover, this number will continue to grow year to year as same as with the amount of income that derived from all income which is added by the other income for employee. However, this provision will affect take home pay that will be granted to employees and the treatment of income tax article 21 which is one of the PT PG Kebon Agung obligations as an employer toward the income of employee. The following will be presented the table of Income Tax Treatment of Article 21 in and its implications for corporate obligations is as follows:

Tabel 5.The Treatment of Income Tax Article 21

Information	Net Method	Gross Method	Gross up Method
Income Tax 21 (As Tax Allowance)	0	0	658.189.682
Corporate Income Tax	27.799.093.448	27.799.093.448	27.634.546.028
Tax payable(Corporate obligation)	27.799.093.448	27.799.093.448	28.292.735.700
Income Tax 21(Corporate obligation,As not Tax allowance)	601.683.856		
Income Tax (Employee Obligation)		601.683.856	
Total Tax Payable	28.400.777.304	28.400.777.304	28.292.735.700

Source: Data analyzed,2014

Tabel 6.The Treatment of Income Tax 21

Profit After Tax	83.397.280.345	83.397.280.345	82.903.638.084
Income Tax 21(Non Deductible)	601.683.856		
Income Tax 21 (employee's obligation/ Non Deductible)		601.683.856	
Net Profit After Tax in Non Deductible	82.795.606.489	82.795.606.489	82.903.638.084

Source: Data analyzed,2014

Based on the table, giving full take-home pay to employees will ultimately lead as burden in income tax article 21 which is the obligation of the corporate and it can not be reported on the annual tax return toward income tax cut evidence Article 21 which should be deducted by corporate. Giving full take-home pay through net method will be as a burden that the company should be reported to the state in the amount of IDR 601.683.856 . This amount

will actually increase the total tax burden to be borned by the company in the amount of IDR 28.400.777.304 consisting of atax burden of 25% of the company's net income and income tax expense article 21 because the take home pay is borned by the company are not reported in tax returns article 21. So it is not an expense for the company and it is not the income for employees so that corporate still have a burden to decrease their profit after tax with the amount of income tax payable 21 that is not calculated in fiscal report so the amount of net profit after tax is amounted IDR 82.795.606.489 at the end. It also occurs when a company chooses to use gross method, granting partial take-home pay to an employee who essentially shifts the burden of income tax article 21 to the employees themselves in the amount of IDR 601.683.856. The transfer of the tax burden to the employee's basically also will reduce the take home pay to the employee and it can not be recognized as a cost to reduce earnings in the corporate's fiscal report because it was not as income for employee. Therefore tax will be borned by the company will be as great as the net method at the end. Thus of income tax article 21 expense to employees will increase the amount of corporate taxes because companies have to report the income tax article 21 to the state and corporate still have a burden to decrease their profit after tax with the amount of income tax payable 21 that is not calculated in fiscal report at the end amounted IDR 82.795.606.489.

The Selection of gross-up method performed by the PT PG Kebon Agung actually reduce corporate tax and income tax article 21 which is an obligation of corporate. Giving tax allowances that equal to the amount of income tax payable article 21 is a component of income or employees. Therefore, the tax allowances used in calculating corporate income tax component of article 21 makes the post of tax allowances payable could be treated as expense for corporate and it is becoming the income for employee.PT Kebon Agung must report the amount of income tax article 21 and Withholding Tax Evidence in their fiscal year report at the end. Ultimately, the amount of tax to be borne by corporate only corporate taxes in the amount of IDR 26.866.341.908 since income tax article 21 owned by employee has been guaranteed by corporate by giving tax allowance for employee so that the expenses which derived by corporate to the employee to bear the income tax can be categorized as Income for employee and deductible expenses for corporate based on article 4 in Tax laws No 36 year 2008. Based on that explanation among three alternatives,

corporate income tax that must be paid to the state will produce less than others if PT Kebon Agung has chosen the use of gross-up method. Thus net profit after tax after corporate has done their obligation can be compared which is the amount of net profit after tax in using gross up method produce more than other at the end. Hence, based on that analysis which must be applied for the other period until 2012, the effectiveness by using gross up method can be found related to the additional cost of bearing income tax article 21 to the efficiency cost that must be spent for the corporate in order to get minimum tax payable at the end.

Table 6.The Differences Cost of Tax Planning Program by Using Gross up Method

Year	Cost of Salaries Before gross up	Cost of Salaries After Gross up	Dispute	%
2009	20.258.701.005	20.315.106.831	56.505.826	0,278%
2010	21.384.937.726	21.441.058.461	56.120.735	0,262%
2011	23.184.383.068	23.260.298.111	75.915.043	0,327%
2012	23.993.690.653	24.080.945.885	87.255.232	0,363%
Total			275.796.836	1,23%
Average			68.949.209	0,3075 %

Source: Data analyzed ,2014

The efficiency for general cost and salaries can be shown that the usage of gross up method is amounted to **1,23%** during 2009-2012 .Basically PT PG Kebon Agung has been implied to bear the income tax article 21 by using gross up method. In order to know the effectiveness gross program than other program related income tax article 21 policy, researcher will compare the result of the other alternatives which is both gross method and net method as the basic way to give treatment on income tax article 21 without doing some tax planning. Hence the additional cost that derived by corporate gives the result that the amount of tax payable is less than before so that make the dispute between after and before could be as Tax savings at the end.

The usage of gross up method eventually gives the result of tax saving efficiency in the amount of **2,807% during** 2009-2012. Moreover The data showed that corporate is succeed to minimize **corporate tax payable efficiently** in order to get **corporate tax savings** in the amount of IDR **781.966.470** during 4 year. Not only that but also the usage of gross up method on treatment of income tax article 21 give non-quantitative benefit that give advantages for corporate as follows:

- a Employee will be motivated under the allowance that given by corporate which is basically the amount of take home pay is increase that aim to pay income tax to the state

- b Decreasing the burden of employee both juridical responsibility as citizen to pay tax and burden of economy each employee so that is a part of responsibility for corporate to support government vision
- c Increasing tax compliance both corporate and employee as the object of tax

Here researcher maps the analysis how effective tax planning program can minimize tax payable in order to get corporate tax savings as follows:

Table 7. The Amount of Corporate Tax payable in before and after Use Gross up Method

Year	Before gross up	After Gross up	Benefit	%
2009	27.799.093.448	27.634.546.028	(164.547.420)	0,595
2010	29.447.653.604	29.265.790.774	(181.862.830)	0,621
2011	24.931.678.215	24.720.500.574	(211.177.640)	0,854
2012	30.649.936.318	30.425.557.733	(224.378.580)	0,737
Total Tax Savings			781.966.470	2,807%
Average			195.491.618	0,5614%

Source: Data analyzed, 2014

Feasibility

The additional expenses and disbursements caused by tax planning are tax planning costs while the additional incomes caused by tax planning are tax planning revenues (Jia and Zhou, 2012). Assuming corporate has implied yet gross up method to know the differences about income tax article 21 treatment in using gross up between income tax article 21 un using non-gross up method . The evaluation for the feasibility tax planning on income tax article 21 by using gross up as follows:

Table 8. The Calculation for Evaluating the Feasibility of Tax Planning

year	Revenue of Year	Cost of year	(1+i) ⁻¹	PVCI	PVI
2012	224.378.580	87.255.232	0,945	212.037.758	82.456.194
2009	211.177.640	75.915.043	0,938	396.976.043	148.552.220
2010	181.862.830	56.120.735	0,938	517.624.862	191.983.231
2009	164.547.420	56.505.826	0,933	634.466.739	248.489.057
				1.761.105.402	671.480.702
				NPV	1.089.624.700
				PVI	2,62

Source: Data analyzed by Author, 2014

The NPV value of the tax planning programs have the result of tax planning PVI > 1 and NPV > 0 are respectively at IDR 1.089.624.700 by using gross up method. Not to mention, PVI score amounted to 2, 62. It means that tax planning program related to income tax article 21 that done by PT PG Kebon Agung in 2009-2012 is feasible to do.

CONCLUSION AND SUGGESTION
Conclusion

- a PT PG Kebon Agung conducts several policies related to the welfare of employees in order to motivate employees through allowance or benefit. One of policies is only provide tax allowance on income tax. The usage of tax allowance by using gross up method formula make an additional cost toward tax allowance that must be derived by corporate is amounted to IDR 275.796.836 during 2009-2012 which is amounted to 1,23% compared by not using gross up method both net method and gross method. Fortunately, the cost that derived by corporate related tax allowance gives advantages to the corporate which is made tax allowances cost can be categorized as deductible expenses and it can be deducted in corporate fiscal reconciliation which is correctly way with the Income Tax Laws Number 36 year 2008 article 6-9. After doing fiscal reconciliation it gives corporate tax savings is amounted to IDR 781.966.470 during 2009-2012 compared to the other method of income tax article 21 treatments. This treatment is theoretically correct with the rules and regulation and gross up method formula and it was succeed to minimize corporate tax payable in form of corporate tax savings in the amount of 2,807 % effectively during 2009-2012.
- b The two indicators in knowing the feasibility of tax planning program shows positive coefficient. The NPV value of the tax planning programs have the result of tax planning are $PVI > 1$ and $NPV > 0$ are respectively at IDR 1.089.624.700 by using gross up method. Not to mention, PVI score amounted to 2,62. It means that tax planning program related to income tax article 21 that done by PT PG Kebon Agung in 2009-2012 is feasible to do.

Suggestion

- a Gross up method is one of strategy that might be used in planning corporate tax payable. Besides that, there is another way that can be used by PT PG Kebon Agung such as giving allowance in form of money in a whole benefit in kind which is involved in Tax Return article 21. Hence, it was being expenses that can be as expenses in reducing fiscal year report.
- b PT Kebon Agung must conduct some evaluation related to tax planning program by updating the knowledge of taxation that will make easy administration process of PT Kebon Agung. PT Kebon Agung can update the knowledge of taxation through

www.ortax.org directly which is officially website in providing updated taxation

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